

FISCAL NOTE

Bill #: SB0501

Title: Tax credit for employers of national guard and reserve

Primary Sponsor: Mcgee, D

Status: Second Reading

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
State Special Revenue		
Federal Special Revenue		
Other		
Revenue:		
General Fund	(\$139,095)	(\$139,095)
State Special Revenue		
Federal Special Revenue		
Other		
Net Impact on General Fund Balance:	(\$139,095)	(\$139,095)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill would provide a tax credit of \$50 to employers for each qualified employee that is a member of the National Guard, or army, navy, marine corps, or air force ready reserves on the last day of a tax year. To qualify for the credit the employee must have been employed by the taxpayer on the last day of the tax year, employed for at least 9 months during the tax year, and employed an average of at least 20 hours a week; or, would have met these requirements except the employee was called to active duty. The bill provides a seven-year carryforward provision for the credit.
2. For purposes of estimating this fiscal note, it is assumed qualifying employees would be limited to those working for Montana employers who are attached to the Montana National Guard, or the ready reserve. (See Technical Note 1.)

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(continued)

3. According to an October 2004 report by the National Governors Association, there are 4,613 members of the National Guard or reserve in Montana.
4. Information is not available on the number of the National Guard members and reservists who would meet the employee qualifications in this bill. Based on national statistics from the Department of Defense, it is assumed 67% or 3,091 of the 4,613 guard and reserve members are employed in the private sector. The remaining National Guard members and reservists are employed by public sector or non-profit employers who could not claim the credit.
5. At a credit of \$50 per eligible guard/reserve employee, this bill would provide total tax credits annually of \$154,550.
6. It is assumed that 10% of the available credit will not be used each year because some employers will have tax liability less than their credit amount. This credit will reduce general fund revenue by \$139,095 each year.
7. This bill is effective on passage and applies retroactively, to tax years beginning after December 31,2004. Credits will first be claimed on returns filed in the spring of FY 2006.
8. The Department does not anticipate any administrative expenses associated with this bill.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	(\$139,095)	(\$139,095)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$139,095)	(\$139,095)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

Credits in future biennia would be about \$140,000 per year.